

January 13, 2004

**CHARTER OF  
FINANCE COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF KMART HOLDING CORPORATION**

**BACKGROUND**

This document serves as a guide for the Finance Committee and has been approved by the Board of Directors. The Finance Committee will review and update this Charter annually to reassess its adequacy.

**MISSION**

The Finance Committee is established as an independent committee of the Board of Directors whose primary duties are to oversee and review the financial plans and policies of the Company and the implementation of such plans and policies, and to review investment policies of the retirement plans of the Company and its subsidiaries. The Committee's responsibilities shall include establishment of capital allocation and capital expenditure policies and budgets and their implementation, establishment of investment policies for and oversight of decisions respecting liquid assets not required in the Company's operations and the implementation of such policies including making investment decisions, establishment of policies and oversight of decisions in respect of asset dispositions by the Company, and oversight of the Company's relationships with and significant decisions respecting its sources of external finance, including senior lenders, and its relationships with rating agencies.

**AUTHORITY**

The Finance Committee has been established by the Board of Directors in accordance with Article IV, Section 1 of the Company's By-Laws, and applicable Delaware law.

**MEMBERSHIP**

The Finance Committee shall consist of at least three directors, a majority of whom shall not be officer(s) of the Company or any of its subsidiaries. One member of the Committee shall serve as Committee Chair.

**MEETINGS/PROCEDURES**

The Committee will hold such number of meetings as the Chair of the Committee deems necessary or desirable.

The Committee's primary liaison with Company management will be the Chief Executive Officer of the Company (if he is not a Committee member) or the Chief Financial Officer (if the Chief Executive Officer is a member of the Committee), who will brief the Committee Chair in advance on all matters to be covered at Committee meetings, and will undertake follow-up actions by management at the Committee's direction.

Committee meetings will be led by the Committee Chair or his/her designee, and will be attended by any members of management who are invited to attend or other persons requested to provide pertinent information.

The Committee may engage independent consultants or experts as it sees fit and may commit to the expenditure of reasonable sums to support such activities.

An annual work plan shall be developed outlining the business to be discussed at Committee meetings during the upcoming year.

## **RESPONSIBILITIES**

The Committee will keep minutes of its proceedings, and all action of the Committee shall be reported at the next meeting of the Board of Directors. Recommendations will be made to the Board regarding matters for which full Board approval is necessary or desirable. The responsibilities of the Finance Committee include:

### **Financial Plans and Policies**

- Establish capital allocation and capital expenditure policies and budgets and oversee their implementation; establish investment policies for, and oversee decisions respecting, the investment of liquid assets not required in the Company's operations including making investment decisions; establish policies for, and oversee/approve decisions respecting, asset dispositions by the Company; and oversee the Company's relationships with, and approve significant decisions respecting, the Company's sources of external finance, including senior lenders, and its relationships with rating agencies.
- Review the annual business plan of the Company with respect to profitability, liquidity and capital expenditures in order to assess the achievability of the Company's strategic, operational and merchandising initiatives.
- Review the operating performance metrics and investment hurdle rates set by the Company's management to help guide the Company in achieving its financial goals and plans.

- Review the profit, cash flow and capital expenditures forecasts as they are updated and analyzed throughout the fiscal year.
- Review and make recommendations to the Board on the Company's dividend policy.
- Review and make recommendations to the Board on corporate financing, and the issuance and sale of Company securities.

#### **Other**

- Review the policies and investments related to retirement plans including the Company's frozen defined benefit pension plan, the profit sharing plan and the 401(k) plans.
- Review the risk management policies for interest rate, foreign exchange and insurance exposures, including public liability, directors and officers and workers compensation insurance.
- Perform other duties as prescribed by the Board of Directors.

#### **EVALUATING COMMITTEE PERFORMANCE**

The Finance Committee shall, as determined by the Committee Chair, periodically evaluate the Committee's performance and report the results to the Board of Directors.